Sewell Chan, *New York Time*s

The Federal Reserve chairman, Ben S. Bernanke, parried tough questions Wednesday about rising gasoline prices in the United States and the soaring cost of food and grains in the emerging world as he defended the central bank's $600 billion program to shore up the recovery.

Mr. Bernanke said it was "certainly possible" that the Fed might cut short its efforts to loosen credit by buying Treasury bonds, especially if domestic inflation were to flare. But Mr. Bernanke maintained that for now, inflation was comfortably in check despite rising commodity prices overseas.

In his first appearance before House lawmakers since Republicans took control of the chamber last month, they repeatedly tried to draw him into the fierce debate over a looming vote to raise the government's $14.3 trillion borrowing limit.

But the Fed chairman repeatedly declined to side with one party or the other on what was needed to plug the budget deficit. "Congress is going to have to decide where its values are, whether it wants to raise taxes, whether it wants to cut spending or whether it wants some combination," Mr. Bernanke said.

The chairman reiterated his view that toying with the debt ceiling - some Republicans want to use the vote to force the Obama administration to make immediate spending cuts - could be disastrous if it resulted in a time-consuming debate that worried debt markets and forced the Treasury to default.

Representative Paul D. Ryan of Wisconsin, the new chairman of the House Budget Committee and a vocal skeptic of the Fed's bond-buying effort, told Mr. Bernanke: "My concern is that the costs of the Fed's current monetary policy - the money creation and massive balance sheet expansion - will come to outweigh the perceived short-term benefits."

Mr. Ryan described "a sharp rise in a variety of key global commodity and basic material prices," and an increase in interest rates of longer-term Treasury securities. And while conceding that American consumers were not yet experiencing substantially higher prices, Mr.

Ryan warned that "the inflation dynamic can be quick to materialize and painful to eradicate once it takes hold."

Mr. Ryan all but accused Mr. Bernanke of devaluing the dollar, saying, "There is nothing more insidious that a country can do to its citizens than debase its currency."

Mr. Bernanke said the rise in commodity prices was mostly "a result of the very strong demand from fast-growing emerging market economies, coupled, in some cases, with constraints on supply." He did not mention China by name, but he has in the past.

He added that overall inflation was "still quite low" and that longer-term inflation expectations, which can influence short-term changes in prices, were stable.

In 2010, a closely watched measure of inflation, the price index for personal consumption expenditures, rose by 1.2 percent, compared with 2.4 percent in 2009. And core inflation, which excludes the food and energy prices, was 0.7 percent in 2010, compared with around 2.5 percent in 2007. Wages rose only 1.7 percent last year.

Mr. Bernanke also denied printing money to finance government borrowing, saying, "What we're doing here is a temporary measure that will be reversed." Eventually, the Fed sells the bonds it acquires.

While part of the historically large deficits of the last two years stem from the government's responses to the recession, Mr. Bernanke said the budget would remain on an unsustainable path even as the economy improved because of an aging population and rising health care costs.

Though Mr. Bernanke did not take sides on the most volatile questions of fiscal policy - whether to cut military spending, change entitlement programs like Medicare and raise personal income tax rates - he did offer lawmakers some suggestions.

He told Representative Betty McCollum, a Minnesota Democrat, that Congress should close myriad corporate tax loopholes and then lower the corporate tax rate. He told Representative Mike Honda, a California Democrat, that wise investments in education, including community colleges and on-the-job training, were essential to lowering unemployment.

The chairman also offered some of his most detailed comments to date on what he called China's "counterproductive policy" of undervaluing its currency, the renminbi.

"They have an inflation problem, and the way they're addressing it is not by raising their currency value, which would reduce the demand for their exports," he told Representative Tim Ryan, an Ohio Democrat. "Rather, they are leaving it where it is, and they are instead trying to reduce domestic demand through higher interest rates. And it would seem like a better strategy would be to let domestic demand be what it is and let people enjoy a higher standard of living in China, and reduce their exports via a higher exchange rate."

On Tuesday, China raised interest rates for the third time since October, and many economists in Asia expect that China will do so again this year.

Mr. Bernanke said the Fed was prepared to start raising interest rates when the time came. "Just like a quarterback has to lead a receiver," he told Representative James Lankford, an Oklahoma Republican, the Fed has to begin tightening monetary policy before inflation becomes a problem.

But Representative Todd Rokita, Republican of Indiana, said the Fed had a poor track record in that regard. "Can you name one time in your agency's history where you got it right, where you got on the brakes in time to correct runaway inflation?" he asked.

Mr. Bernanke pointed to his predecessor Paul A. Volcker, who crushed inflation in the early 1980s by sharply raising interest rates. But Mr. Rokita said the Fed had not acted in time.

As Mr. Bernanke spoke, Representative Ron Paul, a Texas Republican, held his own hearing to lambast the Fed.

"There is a great recovery going on," said Mr. Paul, who has advocated abolishing the Fed and now leads a Financial Services subcommittee that oversees the Fed. "But the people don't feel that way."

The Fed did not take part in the hearing, at which three experts testified.

Christine Hauser contributed reporting from New York.